

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Enterprise Township</b>	County <b>Missaukee</b>
Audit Date <b>3/31/06</b>	Opinion Date <b>8/31/06</b>	Date Accountant Report Submitted to State: <b>September 29, 2006</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter and Bishop, P.C.</b>			
Street Address <b>134 West Harris Street</b>		City <b>Cadillac</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49601</b>	Date <b>9/29/06</b>

**ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY**

**MERRITT, MICHIGAN**

**MARCH 31, 2006**

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

MARCH 31, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-viii
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet - Governmental Funds	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In	
Fund Balances to the Statement of Activities	6
Fiduciary Fund	
Statement of Fiduciary Net Assets	7
Notes to Financial Statements	8-19
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Major Governmental Funds	20
<b>Financial Statements of Individual Funds</b>	
<b>Major Governmental Funds</b>	
<u>General Fund</u>	
Balance Sheet	21
Schedule of Revenues, Expenditures and Changes In	
Fund Balance - Budget and Actual	22
<u>Special Revenue</u>	
Combining Balance Sheet	23
Combining Schedule of Revenues, Expenditures and Changes In	
Fund Balance	24
<b>Agency Funds</b>	
<u>Current Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	25
<b>Other Information</b>	
Statement of 2005 Tax Roll	26-27
Letter of Comments and Recommendations	28-29
Letter of Reportable Conditions	30

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*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

August 31, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board  
Enterprise Township  
Missaukee County  
Merritt, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Enterprise Township, Missaukee County, Merritt, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Enterprise Township, Missaukee County, Merritt, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Enterprise Township, Missaukee County, Merritt, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Enterprise Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Enterprise Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$144,793. Of this amount, \$58,303 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$140,233. About 41.58% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Enterprise Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely resemble those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

**Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$144,793 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Enterprise Township**  
**Net Assets as of March 31, 2006**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 142,716
Non Current Assets	
Capital Assets	4,800
Less: Accumulated Depreciation	<u>(240)</u>
Total Non Current Assets	<u>4,560</u>
<b>Total Assets</b>	<b><u><u>\$ 147,276</u></u></b>
<b>Liabilities</b>	
Current Liabilities	<u>\$ 2,483</u>
<b>Net Assets</b>	
Invested in Capital Assets	4,560
Restricted for Specific Purposes	81,930
Unrestricted	<u>58,303</u>
<b>Total Net Assets</b>	<u>144,793</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 147,276</u></u></b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of March 31, 2006. Other liabilities are minimal as of March 31, 2006.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.



ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Enterprise Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2006**

	<u><b>Governmental Activities</b></u>
<u><b>Revenues</b></u>	
<b>Program Revenues</b>	
Charges for Services	\$ 1,075
Operating Grants and Contributions	1,291
Capital Grants and Contributions	4,800
<b>General Revenues</b>	
Property Taxes	61,499
State Shared Revenue	13,264
Unrestricted Investment Earnings	2,014
Other	<u>70</u>
<b>Total Revenues</b>	<u>84,013</u>
<u><b>Expenses</b></u>	
Legislative	2,516
General Government	28,189
Public Safety	19,273
Public Works	1,005
Other Functions	<u>7,882</u>
<b>Total Expenses</b>	<u>58,865</u>
Change in Net Assets	25,148
<u>NET ASSETS</u> - Beginning of Year	<u>119,645</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 144,793</u></u>

**Governmental Activities**

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$25,148 or 21.02% in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Enterprise Township comes from property taxes. The Township levied a millage for fire protection, road maintenance and operating

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

purposes. The Township levied 1.500 mills for operating purposes, 1.500 mills for fire protection, and 1.000 mill for road maintenance.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2006, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses that total 47.89% of total expenses. The Township spent \$28,189 in fiscal year 2006 on General Government expenses. Public Safety represented the next largest expense at \$19,273, or 32.75% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Government expenses at \$24,141. Depreciation expense added another \$240.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Enterprise Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Enterprise Township's governmental funds reported combined ending fund balances of \$140,233. Approximately 41.58%, or \$58,303 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

**General Fund** – The General Fund increased its fund balance by \$7,148 which brings the fund balance to \$59,594. Of the General Fund's fund balance, \$58,303 is unreserved. All of the General Fund's functions, except for the Election Function and the Treasurer Function, ended the year with expenditures below budgeted amounts. Property taxes amounted to \$29,463.

**Road Fund** – The Road Fund increased its fund balance by \$13,440 which brings the fund balance to \$80,639. This balance is reserved and must be used for road maintenance. Property taxes collected amounted to \$12,988.

**Fire Fund** – The Fire Fund fund balance remained the same at \$0. Property taxes collected amounted to \$19,048. The only expenditure was for contracted fire protection services in the amount of \$19,048.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$4,560 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was \$4,560.

Capital assets summarized below include any items purchased with a cost greater than \$2,500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Enterprise Township**  
**Capital Assets as of March 31, 2006**

	<b><u>Governmental Activities</u></b>
Equipment, Furniture and Fixtures	\$ 4,800
Less Accumulated Depreciation	<u>(240)</u>
<b>Net Capital Assets</b>	<b><u><u>\$ 4,560</u></u></b>

Major capital asset events during the current fiscal year included the following:

- Received a voting machine from the State of Michigan.

**Long-Term Debt.** Enterprise Township has no obligation for any long-term debt as of March 31, 2006.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Enterprise Township at 11653 E. Burns Road, Merritt, Michigan 49667.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY

MERRITT, MICHIGAN

STATEMENT OF NET ASSETS

MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 132,987
Receivables	
Taxes	6,532
External Parties (Fiduciary Funds)	2
Due from Other Governments	3,195
	<hr/>
Total Current Assets	142,716
	<hr/>
<u>CAPITAL ASSETS</u>	
Equipment	4,800
Less Accumulated Depreciation	240
Net Capital Assets	<hr/> 4,560 <hr/>
TOTAL ASSETS	<hr/> 147,276 <hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	2,402
Payroll Taxes and Withholdings	81
	<hr/>
Total Current Liabilities	2,483
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets	4,560
Restricted for Specific Purposes	81,930
Unrestricted	58,303
	<hr/>
TOTAL NET ASSETS	\$ 144,793
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 2,516	\$ 0	\$ 0	\$ 0	\$ (2,516)
General Government	28,189	1,075	1,291	4,800	(21,023)
Public Safety	19,273	0	0	0	(19,273)
Public Works	1,005	0	0	0	(1,005)
Other Functions	7,882	0	0	0	(7,882)
Total Governmental Activities	<u>\$ 58,865</u>	<u>\$ 1,075</u>	<u>\$ 1,291</u>	<u>\$ 4,800</u>	<u>(51,699)</u>
<u>GENERAL REVENUES</u>					
Property Tax					61,499
State Shared Revenue					13,264
Unrestricted Investment Earnings					2,014
Other					70
Total General Revenues					<u>76,847</u>
Change in Net Assets					25,148
<u>NET ASSETS</u> - Beginning of Year					<u>119,645</u>
<u>NET ASSETS</u> - End of Year					\$ 144,793

The accompanying notes are an integral part of the financial statements.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2006

	GENERAL FUND	ROAD FUND	FIRE FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 54,122	\$ 78,865	\$ 0	\$ 132,987
Taxes Receivable	2,493	1,774	2,265	6,532
Due from Other Governments	3,195	0	0	3,195
Due from Other Funds	2	0	0	2
Total Assets	<u>\$ 59,812</u>	<u>\$ 80,639</u>	<u>\$ 2,265</u>	<u>\$ 142,716</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 137	\$ 0	\$ 2,265	\$ 2,402
Payroll Taxes and Withholdings	81	0	0	81
Total Liabilities	<u>218</u>	<u>0</u>	<u>2,265</u>	<u>2,483</u>
 <u>FUND BALANCE</u>				
Reserved for:				
Road Maintenance	0	80,639	0	80,639
Telecommunications Right-of-Way	1,291	0	0	1,291
Unreserved				
Undesignated	58,303	0	0	58,303
Total Fund Balance	<u>59,594</u>	<u>80,639</u>	<u>0</u>	<u>140,233</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 59,812</u>	 <u>\$ 80,639</u>	 <u>\$ 2,265</u>	 <u>\$ 142,716</u>

The accompanying notes are an integral part of the financial statements.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 140,233
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Equipment, Furniture and Vehicles	4,800	
Accumulated Depreciation	(240)	4,560
	<hr/>	<hr/>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 144,793</u>
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The accompanying notes are an integral part of the financial statements.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY

MERRITT, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD FUND	FIRE FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 29,463	\$ 12,988	\$ 19,048	\$ 61,499
State Grants	19,355	0	0	19,355
Charges for Services	1,075	0	0	1,075
Interest and Rents	557	1,457	0	2,014
Other Revenues	70	0	0	70
Total Revenues	50,520	14,445	19,048	84,013
<u>EXPENDITURES</u>				
Legislative	2,516	0	0	2,516
General Government	32,749	0	0	32,749
Public Safety	225	0	19,048	19,273
Public Works	0	1,005	0	1,005
Other Functions	7,882	0	0	7,882
Total Expenditures	43,372	1,005	19,048	63,425
Excess (Deficiency) of Revenues Over Expenditures	7,148	13,440	0	20,588
<u>FUND BALANCE</u> - Beginning of Year	52,446	67,199	0	119,645
<u>FUND BALANCE</u> - End of Year	\$ 59,594	\$ 80,639	\$ 0	\$ 140,233

The accompanying notes are an integral part of the financial statements.



ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 20,588
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(240)
Capital Outlay	<u>4,800</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 25,148</u></u>

The accompanying notes are an integral part of the financial statements.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$          2</u>
<u>LIABILITIES</u>	
Due to General Fund	<u>\$          2</u>

The accompanying notes are an integral part of the financial statements.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Enterprise Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Enterprise Township reports the following major governmental funds:

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

Additionally, Enterprise Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

## **D. Assets, Liabilities and Equity**

### ***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Township has adopted an investment policy which allows the Township Treasurer to invest funds as follows:

In certificates of deposit, savings accounts, or deposit accounts, of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

National Credit Union Administration, but only if the bank, savings and loan association, or credit union meet all criteria as a depository of public funds contained in state law.

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Enterprise Township totaled \$12,663,002, on which ad valorem taxes levied consisted of 1.5000 mills for Enterprise Township operating purposes, 1.0000 mills for Enterprise Township road maintenance and 1.5000 mills for Enterprise Township fire protection. The levy raised approximately \$18,998 for operating purposes, \$12,917 for road maintenance and \$18,980 for fire protection.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed when acquired.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	25
Equipment and Furniture	5-10

Enterprise Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**7. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 14, 2005, or as amended by the Township board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Election Functions	\$ 0	\$ 4,800
Treasurer Functions	8,011	8,502
Fire Fund		
Fire Department	18,000	19,048
	<u>\$ 26,011</u>	<u>\$ 32,350</u>

These overages were funded by greater than anticipated revenues and available fund balance.



ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**III.DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are all on deposit with Chemical Bank North in Grayling, Michigan and Fifth Third Bank in Lake City, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, none of the government's bank balance of \$113,080 was exposed to custodial credit risk.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

	General	Road	Fire	Total
Receivables				
Taxes	\$ 2,493	\$ 1,774	\$ 2,265	\$ 6,532
Due from Other Governments	3,195	0	0	3,195
	<u>\$ 5,688</u>	<u>\$ 1,774</u>	<u>\$ 2,265</u>	<u>\$ 9,727</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, being depreciated				
Equipment	\$ 0	\$ 4,800	\$ 0	\$ 4,800
Total capital assets, being depreciated	0	4,800	0	4,800
Less accumulated depreciation for:				
Equipment	0	240	0	240
Total accumulated depreciation	0	240	0	240
Governmental activities capital assets, net	<u>\$ 0</u>	<u>\$ 4,560</u>	<u>\$ 0</u>	<u>\$ 4,560</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

    General Government \$ 240

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES DUE FROM'S</u>	<u>INTERFUND PAYABLES DUE TO'S</u>
Primary Government Only Due from/to Other Funds		
General Fund		
Current Tax Collection Fund	\$          2	\$          0
Fiduciary Funds		
Current Tax Collection Fund	0	2
Total Primary Government	<u>\$          2</u>	<u>\$          2</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be resolved within one year.

There were no interfund transfers during the year.

**E. Long-Term Debt**

At March 31, 2006, the Township was not obligated for any long-term debt.

**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

NET ASSETS

Restricted	
General Funds	
Special Purposes	\$ 1,291
Special Revenue Funds	
Special Purposes	<u>80,639</u>
	<u>\$ 81,930</u>

FUND BALANCE

Reserved	
General Fund	
Telecommunication Right-of-Way	\$ 1,291
Special Revenue Funds	
Road Fund	
Road Maintenance	<u>80,639</u>
	<u>\$ 81,930</u>
TOTAL FUND BALANCE RESERVATIONS	<u>\$ 81,930</u>

**G. Fire Fund**

The Fire Fund as reported in these financial statements shows the transactions of the township fire fund as they would have occurred if all fire monies received for current and delinquent taxes were sent to the fire fund before being sent to the Merritt Area Fire Department. The payments are being sent to the Merritt Area Fire Department directly from the Current Tax Fund and from the General Fund due to the substantial savings of time and bookkeeping procedures.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**B. Retirement Plan**

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc., which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18.

The formula for determining contributions is based on an employee's annual compensation. Annual compensation is based on compensation which coincides with the calendar year coinciding with or ending within the plan year. Plan year is October 10th to October 9th of the following year. The Township has elected to contribute 12% of compensation to the plan annually.

Township contributions to the plan for 2005-06 plan year amounted to \$1,630. In addition, the Township paid an administrative fee of \$180.

Total wages for those covered under the plan was \$13,580 and total wages for all employees including non-covered payroll was \$14,495.

**C. Joint Fire District**

The Township is a member of the Merritt Area Fire Department. The Fire Department is a joint venture of Enterprise and Butterfield Township created to provide fire protection for the member townships. As stated in NOTE I(D)(2), Enterprise Township levies 1.5000 mills to support the Fire Department.

The following financial information was taken from the Fire Department's March 31, 2006 audited financial statements:

Total Net Assets	\$340,845
Net Assets Invested in Capital Assets Net of Related Debt	261,073
Fund Balance - Unreserved	79,772
Total Revenue	80,340
Total Expenditures	279,524
Proceeds from Issuance of Debt	175,000
Net Increase (Decrease) in Fund Balance	(24,184)

A copy of audited financial statements for the Fire Department may be obtained upon request from the Fire Department treasurer.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**D. Property Tax Administration Fee**

The Township passed a resolution to charge a 1% administration fee on all ad valorem taxes levied. Also a late penalty fee of 3% shall be added after February 14th and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the township board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>			<u>ROAD FUND</u>			<u>FIRE FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>									
Taxes	\$ 24,400	\$ 24,400	\$ 29,463	\$ 12,000	\$ 12,000	\$ 12,988	\$ 18,000	\$ 18,000	\$ 19,048
State Grants	8,500	8,500	19,355	0	0	0	0	0	0
Charges for Services	0	0	1,075	0	0	0	0	0	0
Interest and Rents	100	100	557	500	500	1,457	0	0	0
Other Revenues	1,000	1,000	70	0	0	0	0	0	0
Total Revenues	34,000	34,000	50,520	12,500	12,500	14,445	18,000	18,000	19,048
<u>EXPENDITURES</u>									
Legislative	6,590	6,590	2,516	0	0	0	0	0	0
General Government	28,540	28,651	32,749	0	0	0	0	0	0
Public Safety	540	540	225	0	0	0	18,000	18,000	19,048
Public Works	0	0	0	10,000	10,000	1,005	0	0	0
Other Functions	8,600	10,600	7,882	0	0	0	0	0	0
Total Expenditures	44,270	46,381	43,372	10,000	10,000	1,005	18,000	18,000	19,048
Excess (Deficiency) of Revenues	(10,270)	(12,381)	7,148	2,500	2,500	13,440	0	0	0
<u>FUND BALANCE</u> - Beginning of Year	43,621	43,621	52,446	63,857	63,857	67,199	0	0	0
<u>FUND BALANCE</u> - End of Year	\$ 33,351	\$ 31,240	\$ 59,594	\$ 66,357	\$ 66,357	\$ 80,639	\$ 0	\$ 0	\$ 0

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2006

ASSETS

Cash	\$ 54,122
Taxes Receivable	2,493
Due from Other Governments	3,195
Due from Other Funds	<u>2</u>
 TOTAL ASSETS	 <u><u>\$ 59,812</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 137
Payroll Withholdings	<u>81</u>
 Total Liabilities	 <u>218</u>

FUND BALANCE

Balance	
Unreserved	58,303
Reserved for Telecommunications Right-of-Way	<u>1,291</u>
 TOTAL FUND BALANCE	 59,594
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 59,812</u></u>



ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>
REVENUES		
Taxes	\$ 24,400	\$ 29,463
State Grants	8,500	19,355
Charges for Services	0	1,075
Interest and Rents	100	557
Other Revenues	<u>1,000</u>	<u>70</u>
Total Revenues	<u>34,000</u>	<u>50,520</u>
EXPENDITURES		
Legislative		
Township Board	6,590	2,516
General Government		
Supervisor	3,240	3,240
Elections	0	4,800
Assessor	7,000	6,985
Clerk	5,100	4,869
Board of Review	1,800	996
Treasurer	8,011	8,502
Building and Grounds	3,500	3,357
Public Safety	540	225
Other Functions	<u>10,600</u>	<u>7,882</u>
Total Expenditures	<u>46,381</u>	<u>43,372</u>
Excess (Deficiency) of Revenues Over Expenditures	(12,381)	7,148
<u>FUND BALANCE</u> - Beginning of Year	<u>43,621</u>	<u>52,446</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 31,240</u>	<u>\$ 59,594</u>

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET  
MARCH 31, 2006

	<u>FIRE FUND</u>	<u>ROAD FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 78,865	\$ 78,865
Taxes Receivable	2,265	1,774	4,039
TOTAL ASSETS	<u>\$ 2,265</u>	<u>\$ 80,639</u>	<u>\$ 82,904</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 2,265	\$ 0	\$ 2,265
<u>FUND BALANCE</u>			
Balance			
Reserved for Road Maintenance	<u>0</u>	<u>80,639</u>	<u>80,639</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,265</u>	<u>\$ 80,639</u>	<u>\$ 82,904</u>

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2006

	FIRE FUND	ROAD FUND	TOTAL
<u>RECEIPTS</u>			
Taxes	\$ 19,048	\$ 12,988	\$ 32,036
Interest and Rents	0	1,457	1,457
Total Revenues	19,048	14,445	33,493
<u>EXPENDITURES</u>			
Public Safety			
Fire Department	19,048	0	19,048
Public Works			
Road Improvement	0	1,005	1,005
Total Expenditures	19,048	1,005	20,053
Excess (Deficiency) of Revenues Over Expenditures	0	13,440	13,440
<u>FUND BALANCE</u> - Beginning of Year	0	67,199	67,199
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 80,639	\$ 80,639

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2006

	BALANCE			BALANCE	
	4/1/2005	ADDITIONS	DEDUCTIONS	3/31/2006	
<u>ASSETS</u>					
Cash	\$ 11,907	\$ 386,610	\$ 398,515	\$	2
<u>LIABILITIES</u>					
Due to Other Funds	\$ 11,907	\$ 61,546	\$ 73,451	\$	2
Due to Other Governmental Units	0	324,170	324,170		0
Due to Other Organizations and Individuals	0	894	894		0
TOTAL LIABILITIES	\$ 11,907	\$ 386,610	\$ 398,515	\$	2

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
MARCH 31, 2006

TAXES ASSESSED

County	\$ 91,066	
County - State Education Tax	72,755	
Township		
Operating	18,998	
Fire	18,980	
Roads	12,917	
Schools		
Houghton Lake Community Schools	130,896	
Lake City Area Schools	7,268	
Intermediate School		
COOR Intermediate	10,940	
Wexford-Missaukee Intermediate	2,427	
College		
Kirtland Community College	28,365	
Library		
Houghton Lake Public Library	<u>7,354</u>	\$ 401,966

TAXES COLLECTED

County	80,815	
County - State Education Tax	69,468	
Township		
Operating	16,707	
Fire	16,707	
Roads	11,138	
Schools		
Houghton Lake Community Schools	122,684	
Lake City Area Schools	7,268	
Intermediate School		
COOR Intermediate	9,572	
Wexford-Missaukee Intermediate	2,427	
College		
Kirtland Community College	24,875	
Library		
Houghton Lake Public Library	<u>6,438</u>	<u>368,099</u>

ENTERPRISE TOWNSHIP, MISSAUKEE COUNTY  
MERRITT, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
MARCH 31, 2006

TAXES RETURNED DELINQUENT

County	10,251	
County - State Education Tax	3,287	
Township		
Operating	2,291	
Fire	2,273	
Roads	1,779	
Schools		
Houghton Lake Community Schools	8,212	
Lake City Area Schools	0	
Intermediate School		
COOR Intermediate	1,368	
Wexford-Missaukee	0	
College		
Kirtland Community College	3,490	
Library		
Houghton Lake Public Library	916	\$ 33,867

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JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

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*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

August 31, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Enterprise Township  
Missaukee County  
Merritt, Michigan

As a result of our audit of the basic financial statements of Enterprise Township for the year ended March 31, 2006, we would like to note the following:

Property Tax Administration Fee

The Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

Budget

The cash disbursements for certain activities in the General Fund and Fire Fund exceeded the budget. In the future, the budget should be amended before disbursements are made which exceed budgeted amounts. All budget amendments should be a resolution of the board and recorded in the board minutes with enough detail to determine exactly what budget items were increased or decreased.

General Recordkeeping

The accounting records for the year ended March 31, 2006 were found to have room for improvement. Revenues were not categorized by type of income. The expenditure detail included multiple double postings and one instance of a check that was not accounted for but was cashed by the bank. Additionally, the ledger detail did not include payroll withholdings from employee checks. We recommend an actual accounting system be used, but it appears the township clerk will be utilizing a spreadsheet as the accounting system. We recommend the clerk review the accounting procedures manual published by the Department of Treasury to make sure all requirements will be met going forward.

### GASB 34

The Government Accounting Standards Board has issued Statement #34. We have assisted the Township with complying with the GASB 34 requirements of the State of Michigan and GASB. The financial statements are quite different as a result of this drastic change. We recommend the board review the new financial statements, and we are available to help explain the changes in detail, if needed.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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**CERTIFIED PUBLIC ACCOUNTANTS**

August 31, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Enterprise Township  
Missaukee County  
Merritt, Michigan

In planning and performing our audit of the financial statements of Enterprise Township, Missaukee County, Merritt, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*